

Department of Social and Health Services

DP Code/Title: M2-CB Patient Information System

Program Level - 030 Mental Health

Budget Period: 2003-05 Version: 11 2003-05 Agency Request Budget

Recommendation Summary Text:

The Mental Health Division (MHD) requests funding for additional staff and the purchase of a new patient information system to comply with the Centers for Medicare and Medicaid Services (CMS) directives to improve billing compliance with federal regulations.

Fiscal Detail:

Operating Expenditures

Program 030

	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
001-1 General Fund - Basic Account-State	5,458,000	3,935,000	9,393,000
001-7 General Fund - Basic Account-Private/Local	826,000	597,000	1,423,000
001-C General Fund - Basic Account-DSHS Medicaid Federa	4,648,000	1,284,000	5,932,000
Total Cost	10,932,000	5,816,000	16,748,000

Staffing

	<u>FY 1</u>	<u>FY 2</u>	<u>Annual Avg</u>
Program 030 FTEs	70.0	74.0	72.0

Package Description:

Three years ago, the state hospitals had a compliance review performed at CMS' direction. The independent review performed by the Public Consulting Group (PCG) found that although the state hospitals have billed less than the allowable charges incurred, they have not been in compliance with federal regulations for the submittal of bills for hospital services. The MHD received local spending authority to address these compliance issues in 1999, and received additional funding and staff in the 2001-03 Budget. This allowed many processes and practices to be brought into compliance with federal rules. It has been noted by independent reviewers and consultants that many more steps must be taken to bring the hospitals into full compliance. This is supported by the PCG report that was submitted to the 2001 Legislature.

The MHD has notified CMS of the audit results. CMS has notified MHD that actions must be taken to bring the state hospitals into compliance with federal regulations in a timely manner.

This request deals with compliance issues in two parts:

1. The Patient Information System:

The MHD is requesting funding to purchase a commercial off-the-shelf Clinical and Billing Hospital Information System that will provide core functionality. This system includes an automated admission and Electronic Medical Record and a fully automated and integrated Billing and Accounts Receivable system. The electronic admissions and medical record component will provide a more comprehensive picture of the patient's hospital care and provide justification when the state seeks payment for the patient. An electronic Billing and Accounts Receivable system will perform all billing and recovery tasks necessary, while utilizing an on-line interface/integrated database containing both clinical and demographic data about the patient as well as up-front admissions data. This will provide hospital administration with the management reports necessary to efficiently and effectively operate the state hospitals.

2. Additional Staffing Needs

Business process re-engineering is vital for state hospitals to become compliant with federal regulations. Many of the recommendations made by PCG in their independent report to the Legislature pointed out the need for new business processes that are compliant and more effective. Staff dedicated to implementing these recommendations are included as part of this

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request because they are necessary to effectively operate the new system. If the business process improvements are not implemented, the hospital patient information system will stay out of compliance and ineffective and inefficient computer processes will continue. This could potentially result in denied billings, higher expenses to the state, and increased liability for the hospitals.

These expenditures cannot be funded through previous appropriations due to the level of needed expenditure, and because these activities may not directly result in increased revenue collections. These activities are necessary to comply with federal CMS regulations, and may not result in increased collections.

Narrative Justification and Impact Statement

How contributes to strategic plan:

The goals to:

- Achieve a level of compliance that will prevent audit findings resulting in repayment
- Optimize revenue

The PCG, health care consultants for the state psychiatric hospitals, presented nearly 70 recommendations for system and business process improvements in their independent report to the Legislature submitted January 18, 2001. Subsequently, detailed action plans have been developed by the hospital CEO's for each of those recommendations. It is acknowledged that the state's psychiatric hospitals operations are currently out of compliance with federal requirements. Internally, many business improvements are underway however, it has been determined that several practices will require investments in staff, capital, and technology before improvements are seen.

Performance Measure Detail

Program: 030

Goal: 05C Ensure prudent fiscal management at all levels of public mental health system

No measures submitted for package

Incremental Changes

FY 1**FY 2**

Reason for change:

CMS has required that the state hospitals achieve compliance with federal regulations. This requirement is an issue for public psychiatric hospitals around the nation, most of which have generally not kept up with changing requirements and practices. Washington's state hospitals are no exception. Policy trends in recent years have protected patient care and placed administrative investments on a lesser priority. Since CMS has begun to focus more directly on state hospital billing and revenue collection processes and systems, Washington State is now faced with the costs of improving compliance.

Impact on clients and services:

State hospital billing compliance will improve, protecting existing federal Medicaid and Medicare funding. The new system will ensure that the state bills patient benefits in a compliant manner. This will ensure a patient information system that meets billing and patient rights requirements. Section 403 of the CMS Program Manuals and Transmittals states:

"The provider agreement to participate in the program requires you to submit all information necessary to support your claims for services. Failure to submit such information in an individual case will result in denial of the entire claim, the charging of utilization to the beneficiary record, and a prohibition against your billing or collecting from the beneficiary or other person for any services on the claim. A provider with a common practice of failing to submit necessary information in connection with its claims subjects itself to possible termination of its participation in the program."

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Impact on other state programs:

None

Relationship to capital budget:

None

Required changes to existing RCW, WAC, contract, or plan:

None

Alternatives explored by agency:

The following alternatives were identified:

1. Do nothing. This alternative was rejected because eventually CMS would withdraw funding support from the state hospitals if compliance is not achieved.
2. Repair or improve current systems. This alternative was rejected for the most part because an integrated system does not currently exist to address these issues. Many billing activities are performed with paper files and manual processes and the only automated system was obtained free of charge over 15 years ago and is outdated. It is generally thought to be unusable at this time. A revenue system at the Office of Financial Recovery does exist, but currently the system cannot track accounts receivable. It lacks the ability to reconcile to hospital systems and is unable to support accrual-based accounting. This system also does not meet Health Insurance Portability and Accountability Act, Inpatient Prospective Payment System or other federal requirements.
3. Request funding for the system and compliance requirements, assuming federal or local revenue increases can cover the cost. This alternative was rejected because these activities are being undertaken more immediately to improve compliance with federal regulations and we cannot assume an increase in revenues will result. This request is necessary to retain federal funding already supporting the state hospitals, not to materially increase collection levels.

Budget impacts in future biennia:

Operating costs for this system would continue into future biennia.

Distinction between one-time and ongoing costs:

Purchase and installation costs of \$5.5 million would be one-time. Operating costs of \$5.6 million per year would be ongoing.

Effects of non-funding:

If the hospitals do not comply, they are at risk of losing federal funding.

Expenditure Calculations and Assumptions:

See attachment - MHD M2-CB Patient Information System.xls

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<u>Object Detail</u>	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Program 030 Objects			
A Salaries And Wages	2,815,000	3,019,000	5,834,000
B Employee Benefits	758,000	814,000	1,572,000
C Personal Service Contracts	5,151,000	858,000	6,009,000
E Goods And Services	1,871,000	1,053,000	2,924,000
J Capital Outlays	269,000	0	269,000
T Intra-Agency Reimbursements	68,000	72,000	140,000
Total Objects	10,932,000	5,816,000	16,748,000

DSHS Source Code Detail

Program 030		<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Fund 001-1, General Fund - Basic Account-State				
<u>Sources</u>	<u>Title</u>			
0011	General Fund State	5,458,000	3,935,000	9,393,000
<i>Total for Fund 001-1</i>		5,458,000	3,935,000	9,393,000
Fund 001-7, General Fund - Basic Account-Private/Local				
<u>Sources</u>	<u>Title</u>			
5417	Contributions & Grants	826,000	597,000	1,423,000
<i>Total for Fund 001-7</i>		826,000	597,000	1,423,000
Fund 001-C, General Fund - Basic Account-DSHS Medicaid Federa				
<u>Sources</u>	<u>Title</u>			
19TA	Title XIX Assistance (FMAP)	4,648,000	1,284,000	5,932,000
<i>Total for Fund 001-C</i>		4,648,000	1,284,000	5,932,000
Total Program 030		10,932,000	5,816,000	16,748,000